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ACTIVITIES OF THE JOINT INSPECTION UNIT

Comments of the Director-General on the JIU review of management and administration in UNIDO

Addendum

Provides the comments of the Director-General to the Joint Inspection Unit review of management and administration in UNIDO issued to the Board under the symbol IDB.27/19/Add.1.

Introduction

1. The Director-General is pleased to transmit herewith the comments of the Secretariat on the report of the Joint Inspection Unit (JIU) specifically addressing the subject of management and administration in the United Nations Industrial Development Organization (JIU/REP/2003/1, issued by the Director-General to the Board under the symbol IDB.27/19.Add.1).

2. That report forms part of a series of reviews of the functioning of the specialized agencies in the United Nations system.[1] The JIU had originally been requested by UNIDO to perform a review in 1997 on the delegation of authority, including decentralization to the field. The scope of that review was subsequently expanded in September 2001 by JIU and renamed: "Review of management and administration at UNIDO" and was planned to be carried out at the end of 2001—beginning of 2002.

3. The draft report was received by UNIDO on 13 May 2003 and the final report was received on 11 July 2003. An advance copy was circulated to Member States on 14 July 2003 with an information note to permanent missions.

4. The Inspectors acknowledged that "... UNIDO's reforms have been particularly far-reaching ..." and "... considerable achievements of the current Director-General in driving through a major organizational and programmatic transformation ...". However, some recipients of the report, who may not be fully aware of UNIDO's past history, and achievements since the crisis in 1997 when inter alia the relevance of UNIDO was being questioned by the international community, which contributed to a severe financial crisis and uncertainty for its staff as to their, and the Organization's future, may not obtain a balanced picture of the stabilization and transformation of UNIDO. Therefore, it would have

[1] Other reviews in the series deal with management and administration in ILO (JIU/REP/99/4), UNESCO (JIU/REP/2000/4), ITU (JIU/REP/2001/3), WHO (JIU/REP/2001/5) and FAO (JIU/REP/2002/8).

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been advantageous for the readers if the JIU had at the beginning briefly elaborated on what the situation was, what was done to alleviate it with the transformation process and where the Organization stands now. This was confirmed by the previous External Auditor, the President of the Federal Court of Audit of Germany, in document IDB.26/2 of 3 June 2002. Paragraph 136 summarizes his eight years as external auditor as follows: "During my term of office of eight years, I have witnessed the severe difficulties faced by the Organization as to its raison d'être, as well as the resulting uncertainty faced by its staff until the end of 1997. Since then, Member States, management and the Organization's staff have jointly worked hard to reverse this trend and regain the confidence of the international community. I am now pleased at this point in time to report that the Organization has achieved relevance, financial stability, improved technical cooperation delivery and quality of services offered through more focused activities. ...."

5. A comprehensive review and examination of the management and administrative processes in UNIDO would have required an extensive analytical examination of all relevant developments in the Organization. However, from the methodology used, as stated in paragraphs 5 and 6 of the introduction to the JIU report, it appears that the comments, views and recommendations of the Inspectors covering a wide range of complex issues may have been influenced by a limitation on the resources available to carry out such an in-depth analysis. Some of the recommendations made by the JIU would also appear to have considerable cost implications, which cannot be implemented in view of the funding constraints faced by the Organization. Furthermore, the issue of decentralization forms part of the United Nations Millennium Development Goals at the field level, which is under discussion within the United Nations system to identify the optimum solution. In addition, many of the recommendations contained in this review are not unique to UNIDO, as is evidenced from other JIU reports. References have, therefore, been made in the present document following the Secretariat's comments on the individual recommendations, where applicable, to other JIU reports on similar issues in other organizations.

6. Reform is an ongoing process in UNIDO and improvements are continually being made, applying prudent management practices. It would not be cost-effective and beneficial to comment on all the statements and assertions made in the body of the report. It is in this light that the present comments on the JIU recommendations are provided.

I. JIU RECOMMENDATIONS AND UNIDO'S COMMENTS

MANAGEMENT STRUCTURE AND SYSTEMS (Chapter II)

Recommendation 1

With the objective of re-establishing an institutional framework for policy setting and decision-making, the Director-General should take steps to revitalize the Board of Directors. The Inspectors would suggest that:

(a) It should meet on a regular—preferably monthly—basis to discuss an agenda that has been circulated in advance, and minutes of the meetings should be available on the Intranet;

(b) It should be chaired by each of the three Managing Directors in rotation, for a fixed period;

(c) There should be clear delegation of decision-making authority from the Executive Board to the Board of Directors;

(d) Alternate meetings might be designated for the discussion of field matters, and UNIDO Regional Directors and Representatives should participate, either in person or by video link where feasible.

7. In accordance with Article 11 of the Constitution of UNIDO, the Director-General is the Chief Administrative Officer of the Organization and as such "... shall have the over-all responsibility and authority to direct the work of the Organization." In line with this Article, the current Director-General established both the Executive Board and the Board of Directors to assist him in directing the work of the Organization.

8. The Board of Directors is composed of Managing Directors, Directors and senior staff (30-35 participants). According to its terms of reference, the Director-General chairs the Board's meetings. The purpose of the Board is to discuss management issues related to technical cooperation and global forum activities, as well as organizational and staff issues. It was not conceived as a decision-making forum but one that would enhance direct communication and dialogue between the Director-General and Directors, who are required to further disseminate a summary of the discussions to their staff. It meets whenever necessary, following discussions on relevant items at the Executive Board. An agenda is circulated in advance and

conclusions are available to staff on the Intranet. As this is a forum for communication and dialogue, its effectiveness and impact would not necessarily be enhanced by formal procedures regulating the frequency of its meetings or its operation. Meetings with field staff are also organized on a regular basis and continuous dialogue is ensured by the Regional Bureaux.

9. Therefore, the current mechanism is considered both satisfactory and cost-effective.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

Recommendation 2

The Director-General should position the legal function in the Office of the Director-General.

10. It is considered that the function of the Legal Affairs Unit is to serve the entire Organization, and hence this Unit is included in the Division of Administration which, by its very nature, has the mandate to support all the Organization's activities. Furthermore, the Division itself requires considerable legal expertise, particularly in the fields of human resources and procurement. However, due note has been taken of this recommendation.

Recommendation 3

In respect of delegation of authority, the Director-General should:

(a) Ensure that instruments promulgated to delegate authority are strictly observed, and that accountability mechanisms are fully utilized;

(b) Promulgate instruments to delegate authority in human resources management, as appropriate.

11. Instruments for the delegation of authority have been promulgated, including in the area of human resources management. These include Director-General's Administrative Instruction No. 6 (DGAI.6) on the subject of a new Financial Authorization System of 13 May 1998, which spells out clearly the delegation of authority and accountability of allotment holders. Furthermore, guidelines and procedures for recruitment and administration of national project personnel by the UNIDO Representatives are contained in the Administrative Instruction FOA/AI.4 Add.1 of 26 November 1999. Detailed guidelines have been issued for programme/project managers with respect to the recruitment and management of consultants and short-term experts recruited under Special Service Agreements (SSA) (annex VIII to Director-General's Administrative Instruction No. 9 of 21 October 1998). The Internal Oversight Group and the External Auditors are responsible for ensuring compliance with the provisions of such instruments.

12. It should be noted that the maintenance of the financial viability of the Organization requires that budgetary resources be backed by sufficient cash, on both the regular and operational budgets, to meet obligations. In addition, programme priorities have to be met. This requires regular review of both financial (cash resources) as well as human resources. It is for these reasons that the recruitment for posts funded from regular and operational budget resources is centralized and a virtual ceiling for recruitment is periodically determined after consideration and review of the above parameters and after a programmatic discussion at the level of the Executive Board. However, once the authorization/approval is obtained, the programme manager carries out the selection of a competent candidate.

13. If the current system for authorization/approval were to be decentralized, the financial viability of the Organization might well be affected.

14. In summary, the purpose of the current centralized system is to ensure that, given financial constraints, approval for recruitment takes place in a focused way; however, the implementation of the decision is decentralized ensuring the selection of the most competent candidates by the manager/substantive officer. The necessity for a centralized recruitment system is further elaborated under recommendation number 16.

15. Notwithstanding the above, it should be emphasized that programme and project managers have the authority to manage the human resources required for the implementation of their programmes within the framework of the instruments mentioned above which provide, inter alia, for a monitoring function by the Human Resource Management Branch. The authority to recruit and manage project staff resources (project personnel/experts) covers some 2,000 appointments per annum, which amounted to some $30 million in 2002. Furthermore, in paragraph 24 of the JIU report, the perception is reported regarding the approval of mission travel etc., personally by the Director-General. This is factually incorrect.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

Recommendation 4

The Director-General should give careful consideration to the requirement of overall systems

integration, in choosing between different software packages for the implementation of human resources management applications.

16. This recommendation has been noted.

Recommendation 5

The Director-General should review the information and communication technology needs of the field offices in the context of plans to strengthen the field presence and ensure that the budgetary requirements are adequately funded.

17. Due consideration is being given to the IT needs of the field offices. The new release of Agresso, currently being implemented, should provide the desired access for the field offices; this issue is, therefore, already being addressed.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, WHO

PLANNING, PROGRAMMING, BUDGETING, MONITORING AND EVALUATION (Chapter III)

Recommendation 6

In the context of the move to a comprehensive results-based management system, the Director-General should review the planning processes of the Organization and draw up proposals for the consideration of the Member States. The proposals should include the following components:

(a) A long-term, time-bound, Strategic Plan that sets out the corporate strategy of the organization and the related strategic objectives, replacing the Business Plan.

(b) A Medium-term Plan that would be the primary programme planning instrument, providing clear linkages between the long-term strategic objectives of UNIDO and each of the programmes in the biennial programme and budgets; it would be presented in a results-based format.

(c) A results-based biennial programme and budgets presented at the sub-programme level.

18. The Organization constantly reviews its planning processes in consultation with Member States, who have fully supported the actions taken in this regard.

19. In November 2002, the Industrial Development Board adopted the strategic guidelines "Towards improved UNIDO programme delivery", while deciding that the Business Plan remains the strategic framework for UNIDO's work (IDB.26/Dec.7). These strategic guidelines clearly spell out UNIDO's fundamental guiding principles, the areas of focus for technical cooperation activities and key issues in providing such services.

20. UNIDO then translated these guidelines in a corporate strategy document; in spring 2003, the draft version was widely communicated to staff members for their comments. Taking these comments into accounts, an amended version is under review and should be available later this year. The corporate strategy will be detailed in a results-based manner, providing clear linkages between strategic objectives and programmes.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

Recommendation 7

The Director-General should review the progress made in developing and implementing the components of the new management service framework and service management cycle, including the envisaged comprehensive cost accounting system, and report on these matters to the Industrial Development Board at its twenty-ninth session.

21. The proposed changes will be considered by the Executive Board, based on recommendations prepared by the Programme Coordination and Field Operations Division. A previous JIU report (JIU/REP/2002/3) stated that a comprehensive timework survey (cost-accounting system) would be extremely expensive; hence, UNIDO decided not to embark on such a costly undertaking. UNIDO already has in place a system to determine such costs. The radical switch to a comprehensive results-based management system should also not be seen as the only way of improving the Organization's planning framework; the evolutionary approach taken by UNIDO has brought about significant results.

Recommendation 8

The Industrial Development Board should request the Director-General to limit the number of new initiatives to be taken forward in a pilot phase, and to report on the experience with this programming modality at its twenty-ninth session.

22. Within its strategic guideline framework, UNIDO launched three initiatives that cut across integrated programmes and intend to improve fund mobilization:

- *Market access facilitation (trade)*: This initiative was launched at the International

Conference on Financing for Development, Monterrey, Mexico, in 2002;

- *Rural energy for productive use*: This initiative followed the World Summit on Sustainable Development at Johannesburg, South Africa, in 2002. Member States are currently reviewing the final paper for approval;

- *Post-crisis industrial rehabilitation*: The document is currently in the final review stage before being communicated to Member States.

23. The focus is on these three initiatives to create momentum across geographical boundaries and programmes. There appears little likelihood of further initiatives being launched in the foreseeable future, either by Member States or by the Secretariat.

Recommendation 9

The Director-General should report to the twenty-ninth session of the Board on progress in developing performance indicators at (a) the Organization-wide level; (b) the level of the Programme and Budgets; and (c) the level of the integrated programmes, stand-alone projects and new initiatives. In the context of the Organization's move to results-based management, he should report on how these performance indicators will relate to the planning framework (the MTPF and the biennial Programme and Budgets), and how they will be used to report on performance to the Member States.

24. The Secretariat has regularly kept Member States informed on the progress made on developing performance indicators. The proposed programme and budgets, 2004-2005, (IDB.27/3) already contain performance indicators. Other initiatives have been launched, such as assessing the impact of integrated programmes. Following the establishment of the Office of the Comptroller General on 16 June 2003, this Office will be the key focal point for coordinating the development of such indicators and for contact with Member States and for reporting to the governing bodies in this area.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

Recommendation 10

To enhance consistency in the use of results indicators at the programme/project level, the Director-General should ensure that programme managers are supported by training, preferably in the context of overall training in programme formulation.

25. To enable consistent understanding and use of the indicators, training will be provided to staff as appropriate as soon as the development work has been completed.

Recommendation 11

In the context of the Organization's move to results-based management, the Director-General should develop a comprehensive programme performance report; it should summarize at the sub-programme level the main results achieved and corresponding selected performance indicators.

26. The Secretariat has taken note of this recommendation and will look at other United Nations organizations' programme performance reports in order to implement best practices, taking into account UNIDO's mandate.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

FINANCIAL SITUATION OF UNIDO (Chapter IV)

Recommendation 12

(a) The Industrial Development Board should urge Member States in arrears to pursue the option of a payment plan.

(b) The Director-General should continue to report to the Industrial Development Board through the Programme and Budget Committee on the Organization's experience with incentive measures. He should also continue to examine other options to encourage timely payment, including the imposition of restrictions on the sharing of budgetary surpluses.

27. Member States have been kept fully informed through financial situation documents submitted to the policy-making organs under the heading "early settlement and timely payment of assessed contributions", since 1999 (for example PBC.15/4 of 23 February 1999). The governing bodies regularly urge Member States to pursue the options of payment plans. The Secretariat also reported to the Programme and Budget Committee at its nineteenth session on incentives and disincentives in place in other United Nations organizations (PBC.19/10). Conference room paper PBC.19/CRP.5 provided additional information to

encourage the timely payment of assessed contributions. In its conclusion 2003/2, the Committee congratulated the Director-General on the information provided.

28. An informal consultative group on voluntary contributions co-chaired by the Permanent Representatives of India and Italy will also examine measures to increase the timely payment of assessed contributions. The first meeting of the group took place on 31 July 2003.

Recommendation 13

(a) In line with their endorsement of the Business Plan, and hence of integrated programming, Member States should make sufficient programmable funds available in their voluntary contributions to ensure the viability of this programming modality.

(b) To avoid the risk that under-funded integrated programmes turn into fragmented stand-alone projects, and that technical cooperation delivery falls short of expectations, Member States should ensure that voluntary contributions are both adequate and timely.

29. UNIDO regularly encourages increased voluntary contributions and actively pursues new methods of increasing such contributions, as it is a condition for programme success. The policy-making organs also regularly call upon donors, Member States and recipient countries to make greater voluntary contributions. Furthermore, as stated in paragraph 28 above, an informal consultative group has been established to increase voluntary contributions.

30. These efforts bore fruit in 2002 and allowed for an increased mobilization of funds, as shown in the table below.

Recommendation 14

In view of the pressing need of UNIDO for voluntary funds, the Director-General should seek the approval of the legislative bodies to open a liaison office in Brussels with a strong fund-raising mandate and staffed at the same level as the liaison office in New York.

31. The issue was discussed extensively with the previous External Auditors. Liaison with European Union bodies is now the direct responsibility of the "United Nations, other Multilateral Bodies and Interagency Affairs" group in the Office of the Director-General, and is considered a satisfactory arrangement given the financial limitations. Furthermore, the comparison of a possible office in Brussels with the office in New York is inappropriate, as the offices would have different functions. Moreover, the financial implications of an additional office in Brussels have not been taken into account by JIU.

Status of integrated programmes by region, as at 31 December 2002
(In thousands of United States dollars)

	Current planning figure (CPF)[a]	Per cent increase 2001/2002	Total funds allocated[a]		Open for funding	
	Dollars		Dollars	Per cent of CPF	Dollars	Per cent of CPF
Africa	111,287 *38.7%*	*+9.7*	51,431 *51.3%*	*46.2*	59,856 *32.0%*	53.8
Asia and the Pacific	56,239 *19.6%*	*+52.6*	12,572[b] *12.5%*	*22.4*	43,667 *23.4%*	77.6
Arab region	66,040 *23.0%*	*(3.9)*	22,785 *22.7%*	*34.5*	43,255 *23.2%*	65.5
Europe and NIS	13,104 *4.6%*	*(15.5)*	3,304 *3.3%*	*25.2*	9,800 *5.2%*	74.8
Latin America and Caribbean	40,405 *14.1%*	*+16.9*	10,187 *10.2%*	*25.2*	30,218 *16.2%*	74.8
Total	**287,075** ***100%***	***+11.6%***	**100,279**[b] ***100%***	***34.9***	**186,796** ***100%***	**65.1**

Source: *Annual Report 2002*.

[a] Includes support costs.

[b] Excludes planning figures for country service frameworks for China and India still under discussion, amounting to $3.5 million

HUMAN RESOURCE MANAGEMENT
(Chapter V)

Recommendation 15

In respect of plans for restructuring the Secretariat and the redeployment of staff, the Director-General should intensify prior consultations with the staff representative and fully inform the staff in advance of his intentions, thus permitting an exchange of views and ensuring transparency of the process.

32. Consultations between management and staff representatives take place regularly both through informal discussions and within the framework of the Joint Advisory Committee (JAC) established for this purpose.

33. The structure of the Secretariat was redesigned in February 2002 to facilitate categorization of programme development and monitoring responsibilities, promote coherence of efforts and unity of purpose, avoid overlap and structural redundancies, ensure clear managerial responsibilities and delegation of authority, and promote accountability for results. It took into account the views of Member States as expressed in General Conference resolution GC.9/Res.2 on the medium-term programme framework, 2002-2005, which required UNIDO to adapt its functions and priorities and to orient its activities to the new realities of the changing global economic environment and ensure its viability and efficiency.

34. The restructuring plan was discussed at length with the following groups and their recommendations were taken into account prior to its finalization:

- Senior managers at the 2000 retreat;
- Member States at several group meetings;
- The Staff Council President;
- A number of senior staff;
- As far as possible, staff members involved were informed prior to the issuance of the Bulletin.

35. Every effort was made to ensure that the process was transparent and in line with the aim of restructuring for continuous improvement in the delivery of its services by involving all parties concerned (Member States, senior management and staff representatives). Regarding the structure of UNIDO, it should be noted that in paragraph 13 of the JIU report, it is stated "... the new structure was generally supported by the senior managers interviewed for this report. The view was expressed that the previous administrative division was too unwieldy for effective management and that the decision to reposition field representation in a programmatic division was sound ..."

36. The following information is provided for a better understanding of the successive human resource measures undertaken to address issues such as staff security and morale, as well as staff development, which have been commented upon by JIU in paragraphs 85 to 89 of the report.

37. It should be stated that some 200 staff promotions have been granted as a result of the human resource management measures that have been introduced since 2000; approximately 30 per cent of the staff have been promoted in the last three years since the introduction of the Human Resource Management Framework. A comprehensive job classification exercise covering Professional and General Service posts throughout the Organization has been implemented. The purpose of the exercise was twofold: it served as a means to obtain the updated content of posts following staff retrenchment and reorganization and, in combination with the measures promulgated under the Framework, it served as a means of career advancement for staff whose jobs were found to be at a higher grade than their personal level. More recently, and in order to reward those staff members whose performance and contribution were consistently of a high level but whose jobs did not warrant an upgrading in classification terms, the Director-General implemented a scheme of merit promotions for the Professional and General Service categories. The outcome of both these measures was some 200 promotions in both staff categories. In an Organization where approximately 30 per cent of the staff is promoted in a period of three years, the measures set in place address effectively staff career development as well as staff morale.

38. The first phase of the Human Resource Management Framework contained comprehensive measures to address staff security. It introduced a clear policy on the appointment and extension of fixed-term contracts. Contrary to a previous policy that was (inevitably) driven by budgetary and cash resources and therefore changed according to these parameters, a three-year appointment and extension policy—up to five years for staff close to retirement age—was adopted for fixed-term contracts in 2001. This measure has undoubtedly introduced predictability in the employment of staff and has enhanced staff security and morale. Previously, extensions of fixed-term appointments were generally granted for two years and in 1997/1998 for much shorter periods ranging from one month to one year.

39. With respect to staff development it is pertinent to recall the External Auditor's reference to UNIDO's macro training plan for the biennium 2002-2003 for

Headquarters and field staff in his interim report on the biennium 2002-2003 (IDB.27/6, para. 28), which states: "The Secretariat has developed a policy on continuous learning for both headquarters and field staff, which addresses the professional development of staff as well as their personal growth. Learning is recognized as important in terms of sustainability, retaining qualified staff and developing new skills and competencies."

40. The External Auditor has also acknowledged that necessary strategies with respect to succession planning are being implemented—in particular recruitment of entry-level Professionals and upgrading of the managerial skills/competencies of the staff. A management development programme focusing on professional excellence has been conducted for all staff at the director, senior and middle management levels.

41. It can be confirmed that the contractual conditions of service of UNIDO staff adhere to those of the United Nations Common System (paragraph 85 of the JIU report). This adherence is implemented under the aegis of the International Civil Service Commission (ICSC) and the United Nations General Assembly and is regularly reported to Member States by the Director-General in his report on personnel matters. It includes core conditions of service such as remuneration levels for the Professional and higher categories and the determination of remuneration levels for the General Service category, participation in the United Nations Joint Staff Pension Fund, leave and compensation provisions, as well as formal grievance procedures and procedures pertinent to staff management relations.

42. The different conditions experienced at the Vienna-based organizations for unemployment insurance and language training are not core conditions of service regulated by ICSC. Hence each organization can offer these conditions according to its own policy. For example, unemployment insurance, which is not an entitlement per se for International Atomic Energy Agency (IAEA) staff, is subsidized by IAEA only for those staff members who opt for it.

43. The 1998 staff separation programme was a voluntary one and fully implemented. Contrary to the Inspectors' understanding (paragraph 86 of the report), staff members did not have "to justify their continuation with the Organization before a Committee". Indeed staff members submitted applications for voluntary separation, which were reviewed on the basis of specific criteria, announced to the staff at large, and related to budgetary and programmatic requirements (UNIDO/DGB(M).78/ Add.1 of 4 February 1998).

44. The Inspectors state that "Movement from a D-2 post in Headquarters to a D-1/L-6 post in the field would hardly seem optimal from the standpoint of either programme requirements or individual staff members" (paragraph 89 of the report). The alignment of staff at the D-2/L-7 level with programmatic requirements was achieved through voluntary measures and natural attrition. Those staff members whose services were not required at the D-2 level were offered alternative positions. Only one staff member out of nine at the D-2/L-7 level accepted, upon expiration of appointment, a field assignment at the L-6 level.

45. The Inspectors advocate consultations with staff before staff changes are announced. As stated above, consultations with staff take place through existing mechanisms on a regular basis. Firstly through the mechanism of the Joint Advisory Committee and its working groups mandated by the provisions of the staff rules. These consultations focus on matters of personnel policy and staff welfare. Secondly, on staff appointments and promotions, the Director-General is regularly advised by the Appointment and Promotion Board, which is so composed as to afford divisional, and, in two out of its three constituent panels, staff representation. Thus, it is considered that adequate mechanisms are in place to facilitate appropriate staff management consultation. It is worth pointing out that the Director-General is the Chief Administrative Officer and, as such, has the ultimate authority and responsibility for the management of the Organization, including its human and financial resources.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: ILO, UNESCO, WHO

Recommendation 16

To improve programme delivery and enhance transparency, the Director-General should:

(a) Take immediate steps to fill vacant posts established under the regular and operational budgets, both at Headquarters and in the field, to the extent that this is possible under current financial constraints;

(b) Maintain the lowest possible vacancy rates on a continuing basis;

(c) Include in his annual personnel report to the Board a detailed analysis of post vacancies in the Organization.

46. As pointed out in recent sessions of the governing bodies, the maintenance of appropriate vacancy rates is necessary to ensure that the required resources are available, i.e. that assessed contributions or support cost income is received in order to fund posts. Furthermore, the cost increases relating to staff remuneration in 2002 and 2003, approved by the United Nations General

Assembly, which UNIDO had to comply with, were not fully budgeted. These increases were explained in detail to Member States, before and during the nineteenth session of the Programme and Budget Committee, and accepted by them, as they required a higher vacancy level to be maintained to ensure the availability of the necessary resources to meet obligations. It should be noted that even with the high vacancy factor UNIDO experienced a deficit in 2002 of some €0.86 million under the operational budget, which had to be covered from the operating reserve. Therefore, it is considered prudent financial management to maintain a vacancy factor that balances available resources and obligations, even though it may be desirable to have no vacancy factor.

47. With regard to the comments made in paragraphs 90 to 91 of the JIU report, it is considered that reporting vacancy rates to Member States under the human resource management programme is not the most appropriate means to provide a proper understanding of the issue.

48. Post vacancy analysis aims at establishing the financial parameters within which recruitment, and consequent financial obligations are created. It also aims at linking programme priorities with the staffing strength of organizational units. Targeted recruitment drives are therefore undertaken.

49. It should be noted that the services of project personnel recruited for the implementation of specific programme and project assignments, some 2,000 annually, are not subject to the above procedures as the funding for such posts is provided for in the relevant programme or project budgets. Expenditures for such personnel amounted to some $30 million in 2002.

50. For vacancies under the regular or operational budget, once financial clearance is obtained, every effort is made to advertise and fill vacant posts within the shortest time possible both at Headquarters and in the field. Phase I of the Human Resource Management Framework promulgated in DGAI No. 14 of 5 June 2001 streamlined the recruitment process and resulted in a 50 per cent reduction, down to approximately 3.5 months, in the time required for appointments to be made.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO

Recommendation 17

In the context of the introduction of the new human resources management framework, the Director-General should undertake to:

(a) Formalize and implement a system of rotation of core Professional staff between Headquarters and the field;

(b) Monitor the granting of appointments of limited duration to ensure that they are not being used at the expense of the core staff of the organization, and include information on this type of appointment in his annual personnel report to the Board;

(c) Monitor the new systems of performance appraisal and performance recognition and merit and report thereon to the Board in his annual personnel report, both in the implementation phase and on a regular basis thereafter.

51. The Programme Coordination and Field Operations Division, in consultation with the Human Resource Management Branch and staff representatives, is currently developing a system of rotation of core Professional staff between Headquarters and field duty stations, which will be presented to the Director-General for approval shortly.

52. The policy adopted for Appointments of Limited Duration (ALD), as outlined in DGAI No. 14 of 5 June 2001, is exactly in line with the pilot project of ICSC and endorsed by the General Assembly. In addition, the concept of ALDs is fully supported by the Human Resource Network at the level of the common system, whereby organizations in the future will be composed of core staff and specialists required for limited periods of time for specific tasks, finite in nature, to enhance the existing capacities of organizations. Accordingly, the 300 series staff rules were also modelled based on those approved by the General Assembly.

53. The concern of the Inspectors that ALDs might replace the current contractual arrangements in UNIDO over a period of time and thus impinge on the "core" workforce of the Organization cannot be seen as valid. This point is clearly stated in paragraph 26 of DGAI.14 of 5 June 2001. While UNDP employed 16 per cent of its Professional staff on ALD contracts in 2001, only 2 per cent of UNIDO staff currently hold ALD contracts. The Organization will continue to use ALDs for the purposes outlined in paragraph 26 of the same instruction. However, it is intended to grant such appointments to staff who will serve UNIDO away from Headquarters. Any departure from this policy will require the express approval of the Director-General or his authorized representative.

54. The Secretariat will monitor the implementation of the performance appraisal and the performance recognition and merit systems. However, these, as well as the utilization of ALDs, are internal human resource

management tools, and, therefore, they do not warrant regular reporting to the Board.

References to similar issues/recommendations in other JIU reviews on other specialized agencies: FAO, ILO, ITU, UNESCO, WHO

Recommendation 18

The Director-General should apply strict criteria to the creation of posts under the 200 series of the staff rules for special technical assignments at Headquarters; L posts currently existing at Headquarters should be critically reviewed and discontinued in cases of non-conformity with the said criteria.

55. The Human Resource Management Branch is already implementing the decision of the Director-General that there will be no more appointments of staff under the 200 series of Staff Rules (L contracts) at Headquarters. Staff appointed under this set of rules will be required to perform project activities in duty stations away from Headquarters. Any departure from this policy will require the express approval of the Director-General or his authorized representative.

56. It must be emphasized that staff members who were granted L-appointments in the past are required to follow the same competitive process as all other candidates, whereby they have to apply as external candidates for advertised vacancies, before they can be granted regular appointments under the 100 series of Staff Rules.

Recommendation 19

The Director-General should:

(a) Continue his efforts to recruit staff at the Professional level on a wide and equitable geographical basis;

(b) Set new targets of 50/50 gender distribution by 2005 in all categories of posts, and continue his efforts to recruit more women at the senior decision-making levels;

(c) Ensure that comparable statistics on the geographical distribution of the Professional staff, as well as gender balance, are included in the Director-General's annual personnel report to the Board, as well as in the UNIDO annual report.

57. The Director-General has continued his efforts to recruit staff at the Professional level on a wide and equitable geographical basis. In this connection, increases have been observed in the number of staff from African States, as well as Asia and the Pacific, where the respective percentages of Professional staff were 16 and 15 per cent as at May 2003, compared to 14 and 13 per cent respectively as at May 2001. For this same period, the overall level of staff from Western Europe and Others has remained constant at 44 per cent, while slight decreases from 11 to 10 per cent have occurred for staff from Latin America and the Caribbean, from 13 to 12 per cent for Eastern Europe and NIS, and from 5 to 3 per cent for Non-Member states.

58. The Director-General is fully committed to addressing gender balance in all categories of posts. Since May 2001 a total of 36 staff members have been appointed in the UNIDO Secretariat in the Professional and higher categories, of which 15 (42 per cent) were women. During the recruitment of Managing Directors in 2002, the Secretariat made every effort to attract qualified women through contacting Member States as well as organizations and institutions involved in gender issues, which resulted in the appointment of one female candidate for one of the three posts at the D-2 level. In addition, a female candidate was appointed to the only D-1 level post advertised and filled recently. More recently, a female candidate has been offered an appointment at the ASG level for the position of Managing Director of ICS, Trieste. When comparing the percentages of female staff for the period May 2001 and May 2003, increases have been observed for female staff from African States (13 to 20 per cent), Asia and the Pacific (6 to 13 per cent) and Eastern Europe and NIS (2 to 4 per cent).

59. While the Secretariat continues to undertake targeted recruitment drives in an effort to attract more female candidates, it should be noted that only 18 per cent of applications received are from women. As indicated in paragraph 102 of the JIU report, the Secretariat has come close to attaining the gender targets set by the Organization in 1990. In order to further improve the gender balance in UNIDO, the Secretariat will continue to urge Member States to assist in identifying suitably qualified female candidates for all positions in the Secretariat, including those at the P-5 level and above.

60. Comparable statistics on the geographical distribution of Professional staff, as well as gender balance have been included in document IDB.27/16. The request to include such information in the annual report of UNIDO has been noted.

References to similar issues/recommendations in other JIU reviews on other specialized agencies: ILO, ITU, UNESCO

FIELD REPRESENTATION (Chapter VI)

Recommendation 20

To facilitate effective decentralization as called for in the Business Plan, the Director-General should put forward the following proposals for the consideration of the legislative organs:

(a) The nine regional offices should be progressively strengthened by the transfer of technical posts from Headquarters. While each regional office would ideally be allocated the technical expertise to cover each of the eight UNIDO service modules, the exact profile would take account of specific regional needs. The technical posts transferred to the field should include a sufficient number at the P-4/P-5 levels to attract and retain qualified and experienced personnel.

(b) The Headquarters regional bureaux should be scaled back and the posts thus released reallocated to the field to support field-based programme formulation and monitoring, as well as funds mobilization.

(c) Administrative and support functions in the field should be strengthened concomitantly, including the creation of posts and the upgrading of field systems and infrastructure.

(d) Existing delegations of authority to the field should be reviewed, and expanded as appropriate, particularly in respect of recruitment of staff.

(e) Country offices which do not meet agreed performance criteria should be closed in consultation with the Member States concerned.

(f) Small technical units should be retained at Headquarters focusing on normative, global forum functions, while the Headquarters regional bureaux should be replaced with smaller units with an internal liaison function.

61. This topic has been the subject of considerable discussion with Member States for many years and is also under consideration by the Board at its current session under item 6 (b) (document IDB.27/21 refers). In September 2000, Member States were presented with three alternatives: bring full decentralization through increased resource allocation, keep the existing structure or attempt effective decentralization with the existing limited resources (PBC.16/CRP.5, para 36). After extensive consultation with Member States between September and November 2000 (IDB.23/10, paras. 6-7; IDB.23/18, para. 8), the conclusion was to "consolidate the current field office network while aiming to strengthen one or two regional offices each year" (IDB.23/SR.2, para. 44). Hence, UNIDO is of the opinion that the recommendation to put forward again a full decentralization proposal to the legislative organs is not appropriate.

62. Further, the recommendation is not totally realistic given the UNIDO mandate, which is quite different from, for example, the International Telecommunication Union (as stated in paragraph 123 of the JIU report) and the size of UNIDO. The question of having a critical mass of technical expertise in Headquarters requires careful analysis and consideration of the functions inherent in the positions at Headquarters and in the field and should not be based on hearsay as implied in paragraph 120 of the JIU report. Nor is it used lightly as an excuse to retain the current status quo, as careful consideration must prevail in decisions leading to further improvement of the technical services rendered to Member States. In the light of the decentralization and delegation of authority decisions taken at the retreat of the Board of Directors in early 2003, a commission, chaired by the Deputy to the Director-General, was established to look into decentralization issues and make concrete proposals and pragmatic recommendations before the end of August (IDB.27/21, para. 5).

63. Moreover, concerning the recommendation pertaining to the decentralization of the regional bureaux, again the functions of these bureaux must be taken into careful consideration. These bureaux are part of the decentralization and empowerment of the field operations process, and as such play, and will continue to play, a regional and substance-related coordination and monitoring role, as well as their equally important role as key actors in maintaining and managing external relationships with relevant bodies. In addition, as the first step towards further decentralization, the regional bureaux for Latin America and the Caribbean and for Europe and NIS, together with six UNIDO Representatives were made allotment holders for programmes and projects in their respective regions and countries. Therefore, the regional bureaux will have an increasingly important role in the future.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, UNESCO, WHO

64. Furthermore, it would be appropriate to highlight some of the comments made by the Secretariat and Member States during the twenty-third session of the Board, as contained in the summary records.

65. The Secretariat stated that "During recent consultations with Member States, many regional groups had expressed the view that UNIDO should not undertake any more restructuring or redeployment of staff to the field but should consolidate and stabilize its existing field structure and assess the effectiveness of its current field presence. Based on the consultations, the Secretariat understood that Member States wished to see a gradual approach to decentralization, which would mean consolidating the current field office network while aiming to strengthen one or two regional offices each year" (IDB.23/SR.2, para. 44).

66. Various regional groups and a number of countries speaking on their own behalf made the following statements (IDB.23/SR.2): the African Group "urged UNIDO (...) to adopt a balanced approach towards decentralization and the staffing of field offices so as to maintain sufficient expertise at Headquarters and to take the costs into account", the European Union stressed that "realism and prudence must prevail"; GRULAC requested UNIDO to "proceed gradually to avoid adversely affecting the administrative capacity of Headquarters", and the Russian Federation urged UNIDO to "be very careful in undertaking decentralization".

67. This has been the guideline for the Secretariat in its field decentralization activities.

INTERNAL—EXTERNAL OVERSIGHT
(Chapter VII)

Recommendation 21

The Industrial Development Board should request the Director-General to ensure that proposals being drawn up for a formal instrument to govern the Office of Comptroller General should include, but not be limited to, the following:

(a) The Comptroller General should be appointed by the Director-General after appropriate consultations with the Industrial Development Board; the incumbent may be subject to dismissal by the Director-General only for cause, following similar consultations with the Board.

(b) Reports of the Comptroller General should be sent to the Director-General with a copy to the External Auditor. At the request of the Comptroller General, any such report shall be submitted to the Industrial Development Board, together with the Director-General's comments thereon.

(c) The Comptroller General should submit an annual summary report on the Office's activities, including the status of the implementation of recommendations, to the Director-General, with a copy to the External Auditor. The Director-General should in turn submit the annual summary report to the Industrial Development Board, together with his comments thereon.

68. The establishment of the Office of the Comptroller General (OCG) on 16 June 2003 should address the concerns of Member States about strengthened internal oversight and control functions.

69. As stated in the UNIDO Constitution (Article II paragraphs 3 and 5) and the Staff Regulations (Article III, regulation 3.1), the Director-General has the authority and prerogative to appoint staff. Subjecting the Comptroller General's appointment and dismissal to consultations with the Industrial Development Board would not be in compliance with the Constitution and Staff Regulations. It may indeed subject the process to undue pressures for or against a given candidate, and hence would potentially jeopardize the necessary independence required by the function.

70. The Director-General is of the opinion that the independent view and value added provided on UNIDO's operations by OCG are not related to the Comptroller General's appointment process or reporting line, but are functions of OCG's terms of reference, the mechanisms by which it operates and its staffing profile, which were promulgated through DGB/(O).86/Add.13 of 16 June 2003.

71. The Office of the Comptroller General will formulate the necessary mechanisms for reporting to the Director-General, the External Auditors and Member States on activities carried out by OCG.

72. The statement was made in paragraph 126 of the JIU report that internal oversight functions were subject to frequent reorganizations in recent years. However, it should be noted that over the years, the only major change was the inclusion between March 1999 and August 2001 of evaluation functions in those of internal oversight. Subsequently, a decision was taken to establish the Office of the Comptroller General, which came into effect on 16 June 2003.

73. The OCG staffing profile should provide expert knowledge and bring further independence to the Organization. It has been improved through the competitive recruitment of the Comptroller General and the Director, Internal Oversight Group. It will be further strengthened both in skill set and size as deemed required.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, ILO, ITU, UNESCO and WHO

Recommendation 22

The Industrial Development Board may wish to consider limiting the term of office of the External Auditor to a non-consecutive term covering two or three financial periods in order to balance reasonable rotation with the need for continuity.

74. The governing bodies of UNIDO have the prerogative to decide on the appointment of the External Auditor after due consideration.

References to similar issues/recommendations in other JIU reviews of other specialized agencies: FAO, WHO

Recommendation 23

The Director-General should submit concrete proposals to the legislative organs on specific action to be taken on JIU recommendations and their implementation.

75. UNIDO follows up approved JIU recommendations in accordance with the pilot scheme outlined in document IDB.24/18 and approved by the Board in decision IDB.24/Dec.11.

II. ACTION REQUIRED OF THE BOARD

76. The Board may wish to take note of the information provided in the present document.